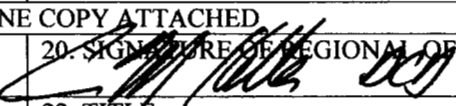


TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION		1. TRANSMITTAL NUMBER: 2004-013	2. STATE ARKANSAS
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE November 1, 2004	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.272		7. FEDERAL BUDGET IMPACT: a. FFY 2005 \$ 1,244,120.00 Increase b. FFY 2006 \$34,870,352.00 Decrease	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, Page 11a Attachment 4.19-A, Page 11aa Attachment 4.19-A, Page 11aaa		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Same, Approved 07-27-01, TN 01-06 None, New Page None, New Page	
10. SUBJECT OF AMENDMENT: Inpatient rate adjustment for non-state government owned or operated acute care hospitals.			
11. GOVERNOR'S REVIEW (Check One): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL:		16. RETURN TO:	
13. TYPED NAME: Mike R. Jeffus		Division of Medical Services PO Box 1437, Slot S295 Little Rock, AR 72203-1437	
14. TITLE: Director, Division of Medical Services		Attention: Carolyn Patrick	
15. DATE SUBMITTED: August 16, 2004			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: AUG 16 2004		18. DATE APPROVED: NOV 30 2004	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: NOV - 1 2004		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Carmen Keller		22. TITLE: Deputy Director, CMSO	
23. REMARKS:			

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: November 1, 2004

1. Inpatient Hospital Services (Continued)

Non-State Public Hospital Inpatient Adjustment

Effective April 19, 2001 through June 30, 2005, all Arkansas non-state government-owned or operated acute care and critical access hospitals (that is, all acute care and critical access government hospitals within the state of Arkansas that are neither owned nor operated by the state of Arkansas) shall qualify for a public hospital inpatient rate adjustment. **Effective November 1, 2004 through June 30, 2005, Arkansas may provide a public inpatient rate adjustment to non-state government owned or operated acute care regional medical center hospitals located outside of Arkansas (that is, acute care hospitals outside of Arkansas that are neither owned nor operated by any state) that - a) provide level 1 trauma and burn care services; b) provide level 3 neonatal care services; c) are obligated to serve all patients, regardless of State of origin; d) are located within a Standard Metropolitan Statistical Area (SMSA) that includes at least 3 States, including Arkansas; e) serve as a tertiary care provider for patients residing within a 125 mile radius; and f) meet the criteria for disproportionate share hospital under Section 1923 of the Social Security Act in at least one State other than the one in which the hospital is located.** The adjustment shall result in total payments to each hospital that are equal to but not in excess of the individual facility=s Medicare-related upper payment limit, as prescribed in 42 C.F.R. § 447.272. The adjustment shall be calculated as follows:

1. Using data from the hospital's most recently audited cost report, Arkansas shall determine each **eligible** non-state public hospital's base Medicare per discharge rate and base Medicaid per discharge rate. Base Medicare and Medicaid per discharge rates will include respective Case Mix Index (CMI) adjustments in order to neutralize the impact of the differential between Medicare and Medicaid case mixes.

For hospitals who, for the most recently audited cost report year filed a partial year cost report, such partial year cost report data shall be annualized to determine their rate adjustment; provided that such hospital was licensed and providing services throughout the entire cost report year. Hospitals with partial year cost reports who were not licensed and providing services throughout the entire cost report year shall receive pro-rated adjustments based on the partial year data.

2. The base Medicare per discharge rate shall be multiplied by the applicable upper payment limit (percentage) specified in 42 C.F.R. § 447.272 for non-state government owned or operated hospitals. For example, to the extent that such federal regulation permits Medicaid payments up to 150 percent of the amount that would be paid under Medicare reimbursement principles, the base Medicare per discharge rate shall be multiplied by 150 percent. The result shall be the adjusted Medicare per discharge rate.
3. The base Medicaid per discharge rate shall be subtracted from the adjusted Medicare per discharge rate determined pursuant to step 2.

STATE: Arkansas

SUPERSEDES: TN 01-006

DATE RECEIVED: 8/16/04

DATE APPROVED: NOV 30 2004

DATE EFFECTIVE: 11-1-04

HCFA 179: TN 04-013

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: July 1, 2005

1. Inpatient Hospital Services (Continued)

Non-State Public Hospital Inpatient Adjustment (continued)

4. The difference shall be multiplied by the number of Medicaid discharges at the hospital for the most recent audited fiscal year. The result shall be the amount of the annual Non-State Public Hospital Adjustment.
5. Payment shall be made on a quarterly basis within 15 days after the end of the quarter for the previous quarter. Payment for SFY 2001 shall be prorated proportional to the number of days between April 19, 2001 and June 30, 2001 to the total number of days in SFY 2001.

Effective **July 1, 2005**, all Arkansas non-state government-owned or operated acute care and critical access hospitals (that is, all acute care and critical access government hospitals within the state of Arkansas that are neither owned nor operated by the state of Arkansas) shall qualify for a public hospital inpatient rate adjustment. **Effective July 1, 2005 through December 31, 2005**, Arkansas may provide a public inpatient rate adjustment to non-state government owned or operated acute care regional medical center hospitals located outside of Arkansas (that is, acute care hospitals outside of Arkansas that are neither owned nor operated by any state) that - a) provide level 1 trauma and burn care services; b) provide level 3 neonatal care services; c) are obligated to serve all patients, regardless of State of origin; d) are located within a Standard Metropolitan Statistical Area (SMSA) that includes at least 3 States, including Arkansas; e) serve as a tertiary care provider for patients residing within a 125 mile radius; and f) meet the criteria for disproportionate share hospital under Section 1923 of the Social Security Act in at least one State other than the one in which the hospital is located.

The adjustment shall result in total payments to each hospital that are equal to but not in excess of the individual facility's Medicare-related upper payment limit, as prescribed in 42 C.F.R. § 447.272. The adjustment shall be calculated as follows:

1. Using data from the hospital's most recently audited cost report, Arkansas shall determine each eligible non-state public hospital's base Medicare per discharge rate and base Medicaid per discharge rate. Base Medicare and Medicaid per discharge rates will include respective Case Mix Index (CMI) adjustments in order to neutralize the impact of the differential between Medicare and Medicaid case mixes.

For hospitals who, for the most recently audited cost report year filed a partial year cost report, such partial year cost report data shall be annualized to determine their rate adjustment; provided that such hospital was licensed and providing services throughout the entire cost report year. Hospitals with partial year cost reports who were not licensed and providing services throughout the entire cost report year shall receive pro-rated adjustments based on the partial year data.

2. The base Medicare per discharge rate shall be multiplied by the applicable upper payment limit (percentage) specified in 42 C.F.R. § 447.272 for non-state government owned or operated hospitals. For example, to the extent that such federal regulation permits Medicaid payments up to 150 percent of the amount that would be paid under Medicare reimbursement principles, the base Medicare per discharge rate shall be multiplied by 150 percent. The result shall be the adjusted Medicare per discharge rate.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 11aaa

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: July 1, 2005

1. Inpatient Hospital Services (Continued)

Non-State Public Hospital Inpatient Adjustment (continued)

3. The base Medicaid per discharge rate shall be subtracted from the adjusted Medicare per discharge rate determined pursuant to step 2.
4. The difference shall be multiplied by the number of Medicaid discharges at the hospital for the most recent audited fiscal year. The result shall be the amount of the annual Non-State Public Hospital Adjustment.
5. Payment shall be made on a quarterly basis within 15 days after the end of the quarter for the previous quarter.

STATE: Arkansas

SUPERSEDES: NONE - New Page

DATE RECEIVED: 8-16-04

DATE APPROVED: _____

DATE EFFECTIVE: 11-1-04

HCFA 179: TN 04-013

NOV 30 2004